

STATE OF KANSAS

ALAN D. CONROY, Director
AlanC@klrd.state.ks.us
RANEY L. GILLILAND, Assistant Director for Research
RaneyG@klrd.state.ks.us
J.G. SCOTT, Chief Fiscal Analyst
JGScott@klrd.state.ks.us
MARY K. GALLIGAN, Assistant Director for
Information Management
MaryG@klrd.state.ks.us



STAFF
LEGISLATIVE COORDINATING COUNCIL
INTERIM COMMITTEES
STANDING COMMITTEES
LEGISLATIVE INQUIRIES

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N — State Capitol Building — 300 SW Tenth Avenue — Topeka, Kansas 66612-1504
PHONE (785) 296-3181 ♦ FAX (785) 296-3824 ♦ TTY (785) 296-3677
INTERNET: <http://www.kslegislature.org/klrd> E-MAIL: kslegres@klrd.state.ks.us

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To: Governor Kathleen Sebelius and Legislative Budget Committee
From: Kansas Legislative Research Department
Kansas Division of the Budget
Re: Initial SGF Memo for Revised FY 2006 and FY 2007 Estimates

The Consensus Estimating Group met today to revise the November 3 estimates for FY 2006 and FY 2007. The revised estimates incorporate the fiscal impact of all 2006 legislation signed into law thus far.

A more detailed memo will be available soon which contains the economic forecast for Kansas upon which the forecasts are based, as well as a discussion of other factors influencing the individual source estimates.

The overall estimate for both fiscal years was increased by a combined \$289.4 million. The revised FY 2006 estimate is \$5.309 billion and the revised FY 2007 estimate is \$5.356 billion.

For FY 2006, the estimate was increased by \$151.6 million, or 2.9 percent, above the November estimate. The overall revised SGF estimate of \$5.309 billion represents a 9.7 percent growth forecast above final FY 2005 receipts.

The revised estimate for FY 2007 of \$5.356 billion represents an increase of \$137.8 million, or 2.6 percent above the November estimate. The revised FY 2007 estimate is \$47.4 million, or 0.9 percent, above the newly revised FY 2006 figure. One factor influencing the FY 2007 growth rate relates to legislation enacted in 2004 that reduces the amount of sales and use tax receipts deposited directly into the SGF. Another factor is the higher than expected transfers from the SGF to the Biosciences Authority. These transfers were originally estimated to be \$7.2 million in both FY 2006 and FY 2007. These were increased to \$19.9 million in FY 2006 and \$15.0 million in FY 2007.

The growth rate for FY 2008 and thereafter also will be influenced by a number of provisions in previously enacted legislation that will tend to reduce SGF receipts. A more detailed explanation will be provided in the longer memo.

Table 1 compares the new FY 2006 and FY 2007 estimates with actual receipts from FY 2005. Tables 2 and 3 show the changes in the estimates for each fiscal year.

Table 1
Consensus Revenue Estimate for Fiscal Years 2006 and 2007
and FY 2005 Actual Receipts
(Dollars in Thousands)

	FY 2005 (Actual)		FY 2006 (Revised)		FY 2007 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$20,454	4.9 %	\$22,000	7.6 %	\$23,000	4.5 %
General Property	538		50		--	
Motor Vehicle	1,801		1,450		--	
Total	\$22,793	(34.8) %	\$23,500	3.1 %	\$23,000	(2.1) %
Income Taxes:						
Individual	\$2,050,562	8.6 %	\$2,310,000	12.7 %	\$2,445,000	5.8 %
Corporation	226,072	60.1	330,000	46.0	310,000	(6.1)
Financial Inst.	22,063	(13.3)	26,000	17.8	27,000	3.8
Total	\$2,298,697	11.9 %	\$2,666,000	16.0 %	\$2,782,000	4.4 %
Estate Tax	\$51,853	7.9 %	\$53,000	2.2 %	\$52,000	(1.9) %
Excise Taxes:						
Retail Sales	\$1,647,663	2.2 %	\$1,725,000	4.7 %	\$1,740,000	0.9 %
Compensating Use	244,755	14.1	270,000	10.3	273,000	1.1
Cigarette	118,979	(0.7)	116,000	(2.5)	115,000	(0.9)
Tobacco Products	5,039	5.1	5,000	(0.8)	5,000	--
Cereal Malt Bev.	2,077	(4.1)	2,000	(3.7)	2,000	--
Liquor Gallonage	15,736	(0.7)	16,000	1.7	16,100	0.6
Liquor Enforcement	41,904	4.1	44,500	6.2	46,000	3.4
Liquor Drink	7,444	4.1	7,900	6.1	8,100	2.5
Corp. Franchise	47,095	28.0	46,000	(2.3)	47,000	2.2
Severance	103,390	22.2	131,100	26.8	113,200	(13.7)
Gas	75,415	14.2	94,700	25.6	78,200	(17.4)
Oil	27,975	50.5	36,400	30.1	35,000	(3.8)
Total	\$2,234,082	4.5 %	\$2,363,500	5.8 %	\$2,365,400	0.1 %
Other Taxes:						
Insurance Prem.	\$106,828	(0.7) %	\$111,000	3.9 %	\$113,000	1.8 %
Miscellaneous	4,291	17.7	4,800	11.9	4,800	--
Total	\$111,119	(0.1) %	\$115,800	4.2 %	\$117,800	1.7 %
Total Taxes	\$4,718,544	7.5 %	\$5,221,800	10.7 %	\$5,340,200	2.3 %
Other Revenues:						
Interest	\$23,257	67.7 %	\$60,300	159.3 %	\$84,200	39.6 %
Net Transfers	23,562	40.9	(29,400)	(224.8)	(126,300)	329.6
Agency Earnings	75,908	37.3	56,000	(26.2)	58,000	3.6
Total	\$122,727	(6.7) %	\$86,900	(29.2) %	\$15,900	42.0 %
Total Receipts	\$4,841,271	7.1 %	\$5,308,700	9.7 %	\$5,356,100	0.9 %

Table 2
State General Fund Receipts
FY 2006 Revised
Comparison of November 2005 Estimate to April 2006 Estimate
(Dollars in Thousands)

	FY 2006 CRE Est. Revised 11/03/05	FY 2006 CRE Est. Revised 04/17/06	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$22,000	\$22,000	\$ --	-- %
Motor Vehicle	25	50	25	
General Property	775	1,450	675	
Total	\$22,800	\$23,500	\$700	3.1 %
Income Taxes:				
Individual	\$2,230,000	\$2,310,000	\$80,000	3.6 %
Corporation	260,000	330,000	70,000	26.9
Financial Inst.	23,000	26,000	3,000	13.0
Total	\$2,513,000	\$2,666,000	\$153,000	6.1 %
Estate Tax	\$51,000	\$53,000	\$2,000	3.9 %
Excise Taxes:				
Retail Sales	\$1,715,000	\$1,725,000	\$10,000	0.6 %
Compensating Use	265,000	270,000	5,000	1.9
Cigarette	118,000	116,000	(2,000)	(1.7)
Tobacco Product	5,000	5,000	--	--
Cereal Malt Beverage	2,000	2,000	--	--
Liquor Gallonage	16,000	16,000	--	--
Liquor Enforcement	44,000	44,500	500	1.1
Liquor Drink	7,700	7,900	200	2.6
Corporate Franchise	45,000	46,000	1,000	2.2
Severance	131,100	131,100	--	--
Gas	93,400	94,700	1,300	1.4
Oil	37,700	36,400	(1,300)	(3.4)
Total	\$2,348,800	\$2,363,500	\$14,700	0.6 %
Other Taxes:				
Insurance Premiums	\$110,000	\$111,000	\$1,000	0.9 %
Miscellaneous	4,300	4,800	500	11.6
Total	\$114,300	\$115,800	1,500	1.3 %
Total Taxes	\$5,049,100	\$5,221,800	\$172,700	3.4 %
Other Revenues:				
Interest	\$62,800	\$60,300	(\$2,500)	(4.0) %
Net Transfers	(14,800)	(29,400)	(14,600)	98.6
Agency Earnings	60,000	56,000	(4,000)	(6.7)
Total Other Revenue	\$108,000	\$86,900	(\$21,100)	(19.5) %
Total Receipts	\$5,157,100	\$5,308,700	\$151,600	2.9 %

Table 3
State General Fund Receipts
FY 2007 Revised
Comparison of November 2005 Estimate to April 2006 Estimate
(Dollars in Thousands)

	FY 2007 CRE Est. Revised 11/03/05	FY 2007 CRE Est. Revised 04/17/06	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$23,000	\$23,000	\$ --	-- %
Motor Vehicle	--	--	--	
General Property	--	--	--	
Total	\$23,000	\$23,000	\$ --	-- %
Income Taxes:				
Individual	\$2,360,000	\$2,445,000	\$85,000	3.6 %
Corporation	260,000	310,000	50,000	19.2
Financial Inst.	24,000	27,000	3,000	12.5
Total	\$2,644,000	\$2,782,000	\$138,000	5.2 %
Estate Tax	\$52,000	\$52,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,729,000	\$1,740,000	\$11,000	0.6 %
Compensating Use	268,000	273,000	5,000	1.9
Cigarette	117,000	115,000	(2,000)	(1.7)
Tobacco Product	5,000	5,000	--	--
Cereal Malt Beverage	2,000	2,000	--	--
Liquor Gallonage	16,000	16,100	100	0.6
Liquor Enforcement	45,500	46,000	500	1.1
Liquor Drink	7,900	8,100	200	2.5
Corporate Franchise	46,000	47,000	1,000	2.2
Severance	111,800	113,200	1,400	1.3
Gas	77,600	78,200	600	0.8
Oil	34,200	35,000	800	2.3
Total	\$2,348,200	\$2,365,400	\$17,200	0.7 %
Other Taxes:				
Insurance Premiums	\$112,000	\$113,000	\$1,000	0.9 %
Miscellaneous	4,300	4,800	500	11.6
Total	\$116,300	\$117,800	\$1,500	1.3 %
Total Taxes	\$5,183,500	\$5,340,200	\$156,700	3.0 %
Other Revenues:				
Interest	\$87,300	\$84,200	(\$3,100)	(3.6) %
Net Transfers	(115,000)	(126,300)	(11,300)	9.8
Agency Earnings	62,500	58,000	(4,500)	(7.2)
Total Other Revenue	\$34,800	\$15,900	(\$18,900)	(54.3) %
Total Receipts	\$5,218,300	\$5,356,100	\$137,800	2.6 %